

China: West Guangxi Poverty-Alleviation Project Completion Evaluation

Rural cooperatives substantially increase their outreach to the poorest rural people in partnership with IFAD

In line with its strategic objective of promoting rural finance in China, IFAD was the first international financing agency to forge partnerships with the country's various types of rural credit networks. Since the mid-1990s, following this approach has ensured that needy farmers and micro/small-scale entrepreneurs in the rural areas have adequate access to rural credit and microfinancing. IFAD's strategy was to initiate large-scale changes with the foremost rural finance operators in China. Over the last 15 years, IFAD has established a system of learning from experience to help cross-fertilize the pro-poor finance operations of rural credit cooperatives (RCCs) throughout the country. These partnerships have been extremely successful, with massive changes instituted through the RCCs as agents of change in the rural and most remote areas of the country.

Rural finance challenges in the remotest areas of Southern China

As recently as ten years ago, small farmers -including women - in the project area had no access to RCC deposit and, above all, lending services were available only to the better-off people in the villages. The IFAD-funded West Guangxi Poverty Alleviation Project instituted changes in this regard by facilitating access to the RCC network that operated throughout China without a central national structure. Typical also for other parts of the country, the existing RCC network is federated at the county level with the so-called RCC unions or RCCUs. These in turn are managed by a province-level structure, in this case, the West Guangxi Autonomous Region RCCU. In many provinces of China, these structures are being transformed from a decentralized rural cooperative banking system into a single 'rural commercial bank' with branch offices and outlets at the county and township level.

Project design

The overall project objective was to increase productive capacity, both on- and off-farm, and to offer better access to economic and social resources, including financial services, education, health and social networks in ten of the poorest counties of the Guangxi Zhuang Autonomous Region in south-western China. To that end, the aim was to provide working capital and small-scale investment financing for lower-income rural clients, especially women; and, in the longer term, contribute to extending the outreach of existing RCC structures through modern, cash-flow-based lending and client appraisal techniques. The project was carried out in parallel with several stages of RCC reform. In the early 2000s, townships RCCs lost their institutional independence and were subsumed under the county RCCUs.



Project beneficiary rearing silkworms.

IFAD photo by Ernst Schaltegger

Implementation approach and results

At project completion, some 52,255 farmer households had received micro-credit loans from RCCs to engage in income-generating activities. Women accounted for 34.7% of all micro-credit beneficiaries. Overall recovery rates of principal and interest have been satisfactory, within the prevailing

accounting restrictions for lending risks that are a sector-wide issue and not restricted only to RCCUs.



Soil improvement (terracing and soil deepening).

IFAD photo by Ernst Schaltegger

Bank training and management development as a critical input

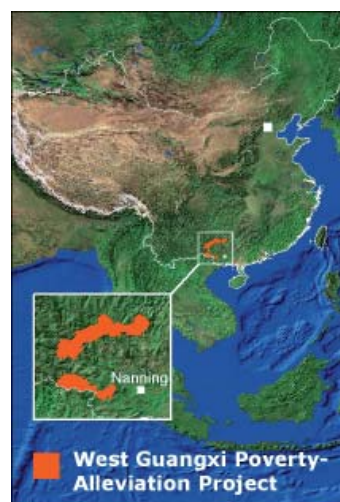
IFAD realized that dealing with a wider range of rural clients would call for specific banking skills and technologies. The first step here was to screen potential borrowers in order to identify bankable, lower-income clients who may not previously have been able to obtain bank loans. WGPAP helped in this task by drawing up project participant lists, which the RCCs used to select bankable borrowers. The second step was to apply simple but effective systems and procedures to ensure smooth client relations. RCC training under the project ensured that loan application forms and other documentation were kept to the bare minimum, which was indispensable for the successful, large-scale outreach of rural finance to poorer people. In a crucial third step, the project provided training for RCC bankers in modern micro-finance appraisal technologies applied throughout the world in environments where the group context is seen as less promising as a social and financial intermediation instrument. Such training made it possible for the RCCs to depart from a mere collateral-based lending approach and to adopt a rural finance system based on loan applications.

Embedding rural finance in a wider agricultural development programme as an additional and decisive factor of success

The project operated as a framework for well-tuned, mutually reinforcing agricultural development activities. Through the RCC network, rural finance services were integrated into a wider delivery structure through (i) helping the banks identify potential clients who had not previously approached RCCs; (ii) the assistance of agricultural extension and marketing support, ensuring both that small farmers' new income-generating ventures would be sustainable and that their produce would be sold at attractive prices; (iii) giving RCC branch staff full access to WGPAP-supported field-level extension and training in order to enhance the technical skills of RCC branch-level staff; and (iv) close cooperation between project technicians and RCC staff in monitoring and following up on loans disbursed through WGPAP.

Institutional impact

The project leaves behind a whole network of well-trained RCC bankers at the township and county levels, well versed in the requirements and challenges of providing financial services to small farmers and other poor rural people. As supported by the project, the broadening outreach of the RCC network throughout the project area has been irreversible. Almost a decade after project start-up, RCC officials at all levels concede that the 'small people' now under the RCC umbrella have proved to be reliable clients and are indispensable for it to reach its strategic medium-/long-term objective of providing a complete menu of rural banks services. High-risk borrowers and others unlikely to be able to repay their loans will be screened out by applying the new IFAD-supported micro-finance and retail banking technologies.



Further information:

People's Republic of China, West Guangxi Poverty-Alleviation Project, Completion Evaluation, Report No. 2200-CH, September 2010, ISBN 978-92-9072-143-7, IFAD Office of Evaluation, Via Paolo di Dono, 44, 00142, Rome, Italy. The full report, Profile and Insights are available online at www.ifad.org/evaluation; email: evaluation@ifad.org.

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